

MARYLAND DEPARTMENT OF AGRICULTURE
FY 2007 BUDGET PRESENTATION
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON TRANSPORTATION AND ENVIRONMENT
JANUARY 25, 2006

1. FY06 Deficiency for Cover Crop Payments Reduce request by \$400,000 GF

This year we had a great signup by farmers with the new incentives and program changes we made. We had approved over 205,000 acres for the program over the summer months. In order for us to sign contracts with all of these landowners we needed additional funds. Our deficiency request of \$1.4 million was based on our 205,000 acre signup in September and we used a 67% compliance rate with a rough estimate of \$40 per acre. Therefore we would need funding of \$5.4 million to sign the contracts. At the time, our revenue estimates for FY06 were for \$3 million from the Bay Restoration Fund, \$1 million in encumbered funds from FY05. Therefore we needed about \$1.4 million as a general fund deficiency to have available a total of \$5.4 million. The Governor authorized us to proceed with a full signup plan and pledged his willingness to submit this deficiency request.

Our recent fall certification has now confirmed 133,774 acres which is nearly identical to our original estimate. There may be a few more last minute certifications. We have also revised our cost per acre from \$40 per acre to \$37 after considering all of the various incentives and bonus payments. This means our maximum financial exposure for FY06 is approximately \$5,000,000.

Our significant federal grant authorization however, is restricted to cover crops planted in the Choptank watershed and unfortunately we have only about 800 acres signed up for about \$30,000. The rest of the federal funds will be reverted.

MDA and others are also concerned about the actual amount of revenue the new Bay Restoration Fund will generate as compared with the original revenue forecasts. We have been using the \$3 M authorized by the General Assembly last year. As you are aware, some jurisdictions have not even begun to bill for the fees required under the law and do not plan to do so until this July. Some of those revenues are attributable to FY06 but will not be received until September, 2006 when tax bills are paid. **Given this funding uncertainty, we would respectfully request you reject this recommendation. We would be amenable to language which would restrict our use of these deficiency general funds for the cover crop program.**

2. Reduction of funds for the 2006 "Cover Crop" program by \$1,260,000 GF

We understand the recommendation to reduce our request for Cover Crop funding by \$1,260,000 which would align the increase in the program to the \$3,000,000 increase detailed in the Agricultural Stewardship recommendations. The Governor and we believe that cover crops are the "best value for your dollar" to reduce nitrogen going into the Bay. This fact has been documented before and supported by a variety of environmental organizations. The Bay Goals for 2010 indicate a target of 600,000 acres annually under cover crop management. The Governor supports achieving that target as rapidly as we can, and he proposes more aggressive funding than the \$3,000,000 cited in the Stewardship Report. We mentioned earlier, we are also concerned about the actual revenue attainment from the Bay Restoration Fund for FY06 and FY07. If this cut was enacted and the revenues from the Bay Restoration Fund were also off by any significant amount, the momentum we are trying to build would be severely impacted.

We are doing everything we can to encourage the maximum number of acres we can get under cover crops. For that we need adequate funding. **We respectfully ask for you to reject the recommendation to cut \$1,260,000 from the FY07 budget.**

3. Delete funding for three (3) new staff for Soil Conservation Districts \$174,872 GF

The MDA staff, working within each soil conservation district, are the backbone of our delivery of information and technical assistance for farmers on a variety of agricultural programs. You are aware of reductions we have had to make over the past few years in MDA's staffing, including our field positions within Resource Conservation. The General Assembly's own Agricultural Stewardship Committee has recommended replacement of significant staffing dedicated for the soil conservation districts. We need more staff to help our farmers. These positions are critical to help us rebuild our network of technical help for farmers. We have lost nearly three dozen PIN's over the past couple of years in this specific area alone.

The MDA has proposed six additional positions for SCD's to achieve workload that will be generated by enhanced program funding including the Tributary Strategy funding we have requested. Additional MDA staff in Soil Conservation Districts will be required to work with farmers who will be eligible to receive funding for nearly 300,000 acres of cover crop and help farmers who have excess manure issues with the transport of up to 75,000 tons or additional manure management measures. The workload potential of 24,000 acres of additional MALPF easement purchase also will require a current and implemented soil conservation and water quality plan. Six staff is a conservative estimate required to meet increased workload demand. This request does not address the shortfall of 33 FTE's to meet the 110 SCD employees authorized in the Water Quality Improvement Act.

We understand the concept Ms. Mock has used to reflect a reduction in both the new funding for the Cover Crop program and related staffing. **However, given the Stewardship Committees recommendations and the pressing need for assistance at the local level, I would urge you to not reduce these three new positions from the budget request.**

4. Delete funding for MDA positions (1 PIN, 2 Contractual, 1 for U of Md) dedicated to the Corsica II watershed initiative \$185,000 GF and to delete \$40,000 in funding for the Horse Pasture Management component of this initiative. Total reduction \$225,000

The Corsica II initiative is a request for funding the Governor's concept of concentrating and directing our state resources and attention to specific problem areas where concerted effort can "make a difference" in a shorter timeframe. We are using the Corsica I plan as a model and simply proposing similar funding for a second watershed. We respectfully disagree with the assertion that this request is premature. We all know there are things we can do in all of our watersheds to improve water quality. This proposal anticipates coordinated activity by a variety of agencies in a specific area. We should not wait additional years to direct resources to these areas. We believe this is responsible planning and good management by coordinating activity to insure measurable and observable results in a compressed timeframe.

We respectfully request you reject the reduction of these \$225,000 funds for the Corsica II initiative.

Program Issues Raised by the Department of Legislative Services

DLS has requested MDA provide the committee with information and program updates on the following subject areas:

1. Gypsy Moth Suppression
2. Nutrient Management Compliance
3. Reductions in Nutrient Loading
4. Avian Flu

1. Gypsy Moth Suppression

As you may recall when we discussed gypsy moth populations last year, we reported we did not have to spray any acres to prevent defoliation in 2005. This was due to a variety of factors, but obviously good news for our Maryland citizens.

As is common in the insect world, we have had a population explosion along our northern state border, especially in the western part of the state. Pennsylvania is having the same results. Our survey teams now estimate a need for us to spray about 20,000 acres. Unfortunately, there are some financial issues that we must solve before we can proceed with planning for spraying in the spring.

The first issue relates to the ownership of the lands we have identified to be sprayed. Nearly 70% are state owned lands. This is the exact opposite of our normal pattern. This fact reduces the amount of revenues we are able to attain from local government, as they do not cost share on state owned lands. As we would spray a considerably lower level of private lands, our special funds are severely reduced, and this reduces our eligible match from the federal government too! Typically we would try to first spray all of the eligible state lands to protect the state's investment in these natural resources. Then, we do the best we can with spraying the land in private ownership.

The second issue relates to the average cost per acre we have to pay for aerial spray contracts. The new estimates for spraying will be about \$32 per acre, double what we budgeted for and primarily the result of increased fuel and insecticide costs.

The third issue is reduced federal funding. This past year our request was cut in half by the federal government and then we did not spray to suppress any gypsy moths. The federal funding is tied to spraying bugs, not all the expenses we have for surveys, etc.

The result is we do not have enough funding to spray 20,000 acres. We are exploring funding options within MDA including using staff from other programs, and assistance by other state agencies, the Administration and the US Forest Service. You may see a supplemental budget request or other proposals from our department.

The bottom line is what we don't spray this year generally means we have a much bigger problem next year.

2 Nutrient Management Compliance

We have been asked to comment on our compliance data for Nutrient Management and if additional staffing would help bring in more acres under compliance at a faster rate. Let's start with the most significant fact first. Today, we have over 80% of our farmers in compliance with the law as compared with 65% in 2004. This represents an increase of 1050 farmers.

MDA has developed a deliberative approach to bring the approximately 2000 people who as of June, 2005, were still out of compliance with nutrient management requirements. To date, regulatory

actions have been pursued against over 600 people. I am pleased to report that and 93% of these people have now come into compliance. Those who continue to defy the law will be subject to progressive regulatory steps and fines. Our plan is to complete at least the initial enforcement steps for the remaining 1400 people over the next 12 months.

On site inspections to evaluate implementation of nutrient management plans will occur during this year but the majority of this evaluation will be done using the Annual Implementation Reports as an indicator of potential problems. Since these inspections have not yet been conducted, MDA does not have an estimate of the extent to which they are being implemented in compliance with the law. Evaluation will be based on records and we have the 2004 Annual Implementation Reports from 3900 farmers that can be evaluated and compared to 2005 reports due by March 1, 2006.

Although hiring additional personnel would increase the number of inspections MDA would conduct annually, over the short term it will not accelerate compliance enforcement. This is due to the time required to complete the hiring process and then train new staff. If additional 2007 funding were directed to this program, new staff would probably not be in place until January, 2007 and training would still be required before they could independently function.

At this time I believe we should not ask for additional staff in this area. I do believe we need staff in our field offices to assist Soil Conservation Districts.

3. MDA should discuss why it is estimating significant nutrient reduction increase due to nutrient management plans in 2007

MDA estimates of nutrient reductions reflects the impact of nutrient management plans increasing from 80% of agricultural land or 1.2 million acres to 92% of agricultural land or 1.4 million acres.

4. Avian Flu

The Department's efforts in this critical issue for our largest Maryland agricultural industry have been under the direction of Dr. Brooks, our Deputy Secretary. He and I have been working with an extraordinary team from this entire region to refine our ability to detect and respond to a variety of animal health emergency situations. We are all looking for a better and more coordinated response to our animal health diseases, especially in these times where others might use these same diseases to attack our way of life. We are pleased that Dr. Guy Hohenhaus has recently accepted the appointment as Maryland's State Veterinarian, responsible for administration of our Animal health operations.

A. Ongoing Recruitment, Enrollment and Training of the Maryland Volunteer Veterinary Corps.

In 2005, with the assistance of the Department of Health and Mental Hygiene, MDA launched the Volunteer Veterinary Corps. The State Board of veterinary Medical Examiners and the Secretary of Agriculture solicited the interest of veterinarians and technicians in volunteering to serve the state in the event of an emergency. The response was over 135 volunteers who received initial training in emergency management, legal issues and roles and responsibilities. The Corps continues to grow slowly and was included in a limited fashion in an AI emergency readiness exercise in December 2005. In that scenario, the state required activation of 10 Corps members.

B. Poultry Premise Identification and Registration.

During the 2005 Legislative session, the General Assembly passed House Bill 709 which gives the Secretary of Agriculture additional authority to control AI, namely it requires poultry producers, auctions and others keeping or raising poultry to register their premises with the Secretary. It also requires persons who are or may in the future operate a “live bird market” (LBM) to register. LBM are frequently implicated in AI outbreaks in the US commercial poultry industry as well as in the H5N1 outbreaks in Eurasia. These markets provide an ideal place for birds to transmit AI virus and contribute to the spread around a state or region. Registration of poultry premises allows the Secretary better access to information critical to preventing, controlling or eradicating AI of any type in poultry and assisting in the prevention of human strains AI which may be present in the US at a future date.

The Animal Health Section is currently implementing this registration. Initial efforts focus on commercial operations (layer and broiler), 4-H and show birds and bird markets. The majority of remaining producers are lower risk small producers who will be contacted via a variety of means. Registration will be largely complete by December 2006.

C. Avian Influenza Emergency Readiness Exercises

Animal Health conducted the first agency emergency readiness exercise in its history on December 5, 2005. The scenario involved simultaneous AI outbreaks on Upper and Lower Delmarva. The exercise involved partners from within MDA as well as numerous other state agencies and industry. Several local agencies, Virginia, Pennsylvania, Delaware and several federal agencies directly participated. MDA Animal Health staff deployed personnel and equipment in real time to staff the Incident Command System (HQ MDA) and staff the task forces necessary to conduct the response on Delmarva. The exercise tested movement of personnel and equipment as well as the drastic alteration in routine operations necessitated by such a response. There is a follow up exercise schedule for the first quarter of 2006. Lessons learned will be addressed. The scope of the exercise will be expanded and tasks assigned to the Command Group and task forces will become more complex.

D. Initiation of Capital Project Request for Replacing the Animal Health (Poultry) Diagnostic Laboratory on Lower Delmarva.

The present laboratory facility for Lower Delmarva is located at Salisbury. The building is over 50 years old and is in poor repair. Renovations and upgrades would be costly and would not easily address present and future requirements of the laboratory. Replacement of the building on-site or possibly at another location on Lower Delmarva, could be accomplished at a cost comparable to a massive renovation of the current laboratory and yield a facility much better suited to current and projected missions of the laboratory. The new laboratory facility could be operational within 3 years. Interim plans to continue operations while vacating current building are being developed.

E. Enhancements to Diagnostic Capability for Avian Influenza by Leveraging Relationships with other Laboratories

MDA Animal Health is currently exploring ways to incorporate other regional laboratories to enhance poultry field surveillance and diagnostic capability in order to more effectively protect Maryland against AI. The current poultry diagnostic staff has been adequate for routine operations over the years, but with AI, the definition of *routine* has changed dramatically. Promising collaborations include conducting virus isolation at the MDA-College Park Laboratory, conducting increased field surveillance from the MDA Centreville Laboratory and shifting work across the MDA laboratory system to relieve workload pressures on MDA Salisbury in times of increased demand for services, such as during an AI emergency. Additionally, MDA is building on a longstanding relationship with the Lasher

Laboratory in Delaware to share work and expertise in AI surveillance and diagnostics across state lines to improve laboratory productivity, timeliness and quality. MDA is in early discussions with the Maryland National Guard Weapons of Mass Destruction Civil Support Team to explore means to utilize that unit's laboratory capability in the event of an AI emergency.

F. AI Screening

MDA-Salisbury is presently supporting the poultry industry in a 100% AI screening of flocks going to slaughter. The testing methods employed are capable of detecting any AI virus present, including virus types primarily of interest to the poultry industry as well as those of interest to public health authorities. This additional work represents a 150% increase in AI surveillance workload in support of *commercial* broiler producers on Delmarva, in addition to the large number of other services provided to the poultry industry on a routine or emergent basis.

G. MDA Promotes and Supports Poultry Industry Efforts to Maintain and Improve Flock Health Through Strict Biosecurity Practices.

Rigorous poultry biosecurity practices in use across the US were developed largely on Delmarva. The industry utilizes a biosecurity checklist which assists producers in determining where their operations are at risk for AI and other infectious diseases. This evaluation provides direction and focus for efforts to reduce the risk of infectious disease in poultry operations. The relative biosecurity in which commercial poultry is raised in the US makes it considerably more resistant to infection with AI than comparable operations in Asia. This is particularly true for the types of AI which are likely to infect humans. There remains considerable room for improvement, especially regarding human and vehicular traffic on the farm.

There are many opportunities to assist poultry growers in improving the biosecurity of their operations. MDA supports these education and outreach efforts to producers large and small in concert with the federal government, the University of Maryland and others. Currently, field staff assigned to support outreach programs are being diverted to support increased operation tempo in the laboratory system.

H. Recruiting and Retention Difficulties in MDA-Animal Health Diminish the Ability of MDA to Maximize AI Prevention and Control Efforts.

The recruiting and retention problem is most acute for veterinary staff. In the past 2 years, MDA Animal Health has lost 5 veterinarians of a total of 11 authorized in the agency. One retired, 1 left the state and 3 accepted positions with other agencies local to that employee's MDA workplace. These local competitors offered salary compensation far in excess of what MDA could offer, for positions nearly identical to the MDA position. In no case, did the MDA employee need to change residence to accept a more financially rewarding position. Seven recruiting efforts have produced replacements for 2 of the five veterinarians. The most recent position vacancy is the Director of the Salisbury Poultry Laboratory, a nationally recognized scientist and the MDA subject matter expert on AI.

MARYLAND DEPARTMENT OF AGRICULTURE
FY 2007 BUDGET PRESENTATION
SENATE BUDGET AND TAXATION COMMITTEE
SUBCOMMITTEE ON PUBLIC SAFETY, TRANSPORTATION AND ENVIRONMENT
FEBRUARY 7, 2006

1. FY06 Deficiency for Cover Crop Payments Reduce request by \$400,000 GF

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We are doing everything we can to encourage the maximum number of acres we can get under cover crops. These are the major program modifications we are considering for increasing participation in the 2006 Cover Crop Program:

a) **Increase acreage caps:** In prior years, acreage caps of between 250 and 500 acres have been in place for each applicant. MDA is proposing to set a 1000 acre cap per applicant. In addition to increasing the cap, farmers could apply for additional standby acres above the 1000 acre cap, that would be approved if funds are available but they would be paid on a prorated basis in accordance with fund availability. This will allow larger farm operators to plant as many acres as possible yet provide budget controls. The 2002 agricultural census indicates that there are nearly 400 farm operations that till over 1000 acres in Maryland that could essentially double their participation. (400 operations @ additional 500 acres = maximum potential of 200,000 acres, we feel that there is an opportunity to sign up at least 25% of that acreage (50,000 acres) in the program.

Expected Impact: This change is expected to result in 32,500 acres (65% of 50,000) additional cover crops planted at \$37 an acre. **\$1,202,500**

b) **Allow farm owners as well as operators to apply for the program:** In past years only farm operators have been allowed to apply for the cover crop program. The farm operators generally plant the cover crops on their home farms first and get to the rented farms as time allows. In 2005 there were many farm owners who have the necessary equipment that wanted to apply for the program and plant the cover crops on their farms after the operator harvests the crops. This alleviates a time and labor issue for the operator and allows additional acreage to be planted.

Expected Impact: This change will result in 22,750 additional acres planted at \$37 and acre. **\$841,750**

c) **Implement a statewide commodity cover crop program:** Through our survey last spring and at the listening sessions around the state this year, many farm operators indicated they would plant cover crops if they were given the option to harvest the crop in the summer at a reduced payment. The declaration of intent would have to be done in the late summer at the time of program application for budget management and control purposes. The incentive payment would be reduced since the operator would gain from the harvest of the grain yet compensate the farmer for the reduced yield caused by not fertilizing the cover crop in the fall. Environmental improvements would be gained because of the cover crop nutrient uptake and soil erosion reduction.

A statewide commodity cover crop program has not been implemented in previous years due to budgetary constraints. The difference is that if farmers enroll in the cover crop program they would not be allowed to fertilize the small grain in the fall thereby reducing the grain yields by a certain percentage. The uptake in nitrogen in a commodity cover crop program is 2.5 pounds per acre less (8.5lbs for regular vs. 6.0 lbs/acre for commodity) because the farmer fertilizes the crop in the spring. The commodity cover crop program incentive payments would compensate the farmers for the perceived loss in yield by forgoing the fall fertilization. We expect a payment of \$20 per acre is appropriate for the loss in yields by not fertilizing the small grains in the fall. Census data over the last four years is that there were more than 200,000 acres of wheat and barley planted in Maryland. We believe that many farmers would be interested as 50% of the respondents to our cover crop survey indicated that they would plant more cover crop acreage if a harvest option was included.

Expected Impact: This change will result in 90,000 additional cover crop acres planted. We expect a 90% implementation rate with this program as a 100,000 goal is less than half of what is typically planted in the state (90,000 acres at \$20 per acre) **\$1,800,000**

d) **Implement aerial seeding contracts through local Soil Conservation Districts in Baltimore, Carroll and Frederick Counties:** The combination of shorter growing season, later harvest and a lack of labor meet in the north-central and western Maryland areas to cause a problem in getting cover crops planted. This proposal is to provide grants to the 3 local Soil Conservation Districts to contract for aerial seeding of cover crops into standing corn and soybean crops.

This method of seeding has been very successful on the Eastern Shore. The cover crop is applied on the fields early and the seed worked into the ground during crop harvest. It provides the maximum benefit from a nutrient uptake and soil erosion control standpoint. The Soil Conservation Districts would combine applicant farms into a county-wide contract with an aerial seed applicator. The farmer would receive the difference between the contract cost per acre and the incentive payment offered by MDA based on the seeding date. There would be economies of scale in this approach as well as significant environmental benefits.

Expected Impact: This change will result in 45,000 additional acres planted. Since the onus on the planting of the cover crop is on the applicator, the concerns of workload on farm operators should allow a higher percentage of participation than is typical (90% vs. 65%). **\$1,665,000**

e) **Maintaining Bonus Incentive for Earliest Plantings:** In prior years USDA, Natural Resources Conservation Service (NRCS) provided a \$10 per acre incentive for cover crop planted prior to October 1, with other restrictions. Due to budget constraints they may not participate in the program for 2007. Research has proven that the most effective and significant environmental benefit is achieved by cover crops planted prior to October 1 of each year, hence the incentive payment. We are proposing that the State of Maryland will pick up that incentive payment for fiscal year 2007.

Expected Impact: This change will result in payment of **\$500,000** as 50,000 acres qualified for this bonus in 2005.

f) **Additional Acres Qualifying for \$10 bonus:** Currently, the NRCS does not allow aerial seeding and broadcast or stalk chopping to qualify for the \$10 bonus. MDA would propose to pay the \$10 bonus to allow aerial seeding and broadcast/stalk chopping as acceptable methods of cover crop establishment. Research has proven that the most effective and significant environmental benefit is achieved by cover crops planted prior to October 1. We anticipate in the 2006 Cover Crop Program year approximately 82,000 acres will be planted prior to October 1. This acreage includes the 37,000 acres that were not paid in the 2005 Federal bonus program and the additional acreage we expect to be planted due to initiative #4 above.

Expected Impact: This change will result in anticipated expenditure of **\$820,000**. (37,000 acres from '05 plus 45,000 acres with new aerial initiative at \$10 per acre)

Summary of Estimated Acres in the 2007 Cover Crop Program and Program Costs

	Sign-up Acres	Implemented Acres	Budget Impact
Current Program	205,000	133,250	\$4,900,000
<u>Enhancements</u>			
1. Expand the caps	50,000	32,500	1,202,500
2. Landowner eligibility	35,000	22,750	841,750
3. Commodity Cover Crop	100,000	90,000	1,800,000
4. Aerial Seeding Contracts	50,000	45,000	1,665,000
5. Maintain Bonus	0	50,000	500,000
6. Increase Bonus	<u>0</u>	<u>82,000</u>	<u>820,000</u>
Totals	440,000	323,250	11,729,250

These projections exceed the proposed FY2007 budget. These are examples of opportunities available to utilize proposed funds and MDA will manage resources within the target set by final budget. Clearly there is a reasonable expectation MDA could increase cover crop participation in the 2006 season and spend the proposed appropriation of \$9.2 M.*

We respectfully ask for you to reject the recommendation to cut \$1,260,000 from the FY07 budget.

3. Delete funding for three (3) new staff for Soil Conservation Districts \$174,872 GF

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On site inspections to evaluate implementation of nutrient management plans will occur during this year but the majority of this evaluation will be done using the Annual Implementation Reports as an indicator of potential problems. Since these inspections have not yet been conducted, MDA does not have an estimate of the extent to which they are being implemented in compliance with the law. Evaluation will be based on records and we have the 2004 Annual Implementation Reports from 3900 farmers that can be evaluated and compared to 2005 reports due by March 1, 2006.

Although hiring additional personnel would increase the number of inspections MDA would conduct annually, over the short term it will not accelerate compliance enforcement. This is due to the time required to complete the hiring process and then train new staff. If additional 2007 funding were directed to this program, new staff would probably not be in place until January, 2007 and training would still be required before they could independently function.

At this time I believe we should not ask for additional staff in this area. I do believe we need staff in our field offices to assist Soil Conservation Districts.

3. MDA should discuss why it is estimating significant nutrient reduction increase due to nutrient management plans in 2007

MDA estimates of nutrient reductions reflects the impact of nutrient management plans increasing from 80% of agricultural land or 1.2 million acres to 92% of agricultural land or 1.4 million acres.

4. Avian Flu

The Department's efforts in this critical issue for our largest Maryland agricultural industry have been under the direction of Dr. Brooks, our Deputy Secretary. He and I have been working with an extraordinary team from this entire region to refine our ability to detect and respond to a variety of animal health emergency situations. We are all looking for a better and more coordinated response to our animal health diseases, especially in these times where others might use these same diseases to attack our way of life. We are pleased that Dr. Guy Hohenhaus has recently accepted the appointment as Maryland's State Veterinarian, responsible for administration of our Animal health operations.

A. Ongoing Recruitment, Enrollment and Training of the Maryland Volunteer Veterinary Corps.

In 2005, with the assistance of the Department of Health and Mental Hygiene, MDA launched the Volunteer Veterinary Corps. The State Board of veterinary Medical Examiners and the Secretary of Agriculture solicited the interest of veterinarians and technicians in volunteering to serve the state in the event of an emergency. The response was over 135 volunteers who received initial training in emergency management, legal issues and roles and responsibilities. The Corps continues to grow slowly and was included in a limited fashion in an AI emergency readiness exercise in December 2005. In that scenario, the state required activation of 10 Corps members.

B. Poultry Premise Identification and Registration.

During the 2005 Legislative session, the General Assembly passed House Bill 709 which gives the Secretary of Agriculture additional authority to control AI, namely it requires poultry producers, auctions and others keeping or raising poultry to register their premises with the Secretary. It also requires persons who are or may in the future operate a “live bird market” (LBM) to register. LBM are frequently implicated in AI outbreaks in the US commercial poultry industry as well as in the H5N1 outbreaks in Eurasia. These markets provide an ideal place for birds to transmit AI virus and contribute to the spread around a state or region. Registration of poultry premises allows the Secretary better access to information critical to preventing, controlling or eradicating AI of any type in poultry and assisting in the prevention of human strains AI which may be present in the US at a future date.

The Animal Health Section is currently implementing this registration. Initial efforts focus on commercial operations (layer and broiler), 4-H and show birds and bird markets. The majority of remaining producers are lower risk small producers who will be contacted via a variety of means. Registration will be largely complete by December 2006.

C. Avian Influenza Emergency Readiness Exercises

Animal Health conducted the first agency emergency readiness exercise in its history on December 5, 2005. The scenario involved simultaneous AI outbreaks on Upper and Lower Delmarva. The exercise involved partners from within MDA as well as numerous other state agencies and industry. Several local agencies, Virginia, Pennsylvania, Delaware and several federal agencies directly participated. MDA Animal Health staff deployed personnel and equipment in real time to staff the Incident Command System (HQ MDA) and staff the task forces necessary to conduct the response on Delmarva. The exercise tested movement of personnel and equipment as well as the drastic alteration in routine operations necessitated by such a response. There is a follow up exercise schedule for the first quarter of 2006. Lessons learned will be addressed. The scope of the exercise will be expanded and tasks assigned to the Command Group and task forces will become more complex.

D. Initiation of Capital Project Request for Replacing the Animal Health (Poultry) Diagnostic Laboratory on Lower Delmarva.

The present laboratory facility for Lower Delmarva is located at Salisbury. The building is over 50 years old and is in poor repair. Renovations and upgrades would be costly and would not easily address present and future requirements of the laboratory. Replacement of the building on-site or possibly at another location on Lower Delmarva, could be accomplished at a cost comparable to a massive renovation of the current laboratory and yield a facility much better suited to current and projected missions of the laboratory. The new laboratory facility could be operational within 3 years. Interim plans to continue operations while vacating current building are being developed.

E. Enhancements to Diagnostic Capability for Avian Influenza by Leveraging Relationships with other Laboratories

MDA Animal Health is currently exploring ways to incorporate other regional laboratories to enhance poultry field surveillance and diagnostic capability in order to more effectively protect Maryland against AI. The current poultry diagnostic staff has been adequate for routine operations over the years, but with AI, the definition of *routine* has changed dramatically. Promising collaborations include conducting virus isolation at the MDA-College Park Laboratory, conducting increased field surveillance from the MDA Centreville Laboratory and shifting work across the MDA laboratory system to relieve workload pressures on MDA Salisbury in times of increased demand for services, such as during an AI emergency. Additionally, MDA is building on a longstanding relationship with the Lasher

Laboratory in Delaware to share work and expertise in AI surveillance and diagnostics across state lines to improve laboratory productivity, timeliness and quality. MDA is in early discussions with the Maryland National Guard Weapons of Mass Destruction Civil Support Team to explore means to utilize that unit's laboratory capability in the event of an AI emergency.

F. AI Screening

MDA-Salisbury is presently supporting the poultry industry in a 100% AI screening of flocks going to slaughter. The testing methods employed are capable of detecting any AI virus present, including virus types primarily of interest to the poultry industry as well as those of interest to public health authorities. This additional work represents a 150% increase in AI surveillance workload in support of *commercial* broiler producers on Delmarva, in addition to the large number of other services provided to the poultry industry on a routine or emergent basis.

G. MDA Promotes and Supports Poultry Industry Efforts to Maintain and Improve Flock Health Through Strict Biosecurity Practices.

Rigorous poultry biosecurity practices in use across the US were developed largely on Delmarva. The industry utilizes a biosecurity checklist which assists producers in determining where their operations are at risk for AI and other infectious diseases. This evaluation provides direction and focus for efforts to reduce the risk of infectious disease in poultry operations. The relative biosecurity in which commercial poultry is raised in the US makes it considerably more resistant to infection with AI than comparable operations in Asia. This is particularly true for the types of AI which are likely to infect humans. There remains considerable room for improvement, especially regarding human and vehicular traffic on the farm.

There are many opportunities to assist poultry growers in improving the biosecurity of their operations. MDA supports these education and outreach efforts to producers large and small in concert with the federal government, the University of Maryland and others. Currently, field staff assigned to support outreach programs are being diverted to support increased operation tempo in the laboratory system.

H. Recruiting and Retention Difficulties in MDA-Animal Health Diminish the Ability of MDA to Maximize AI Prevention and Control Efforts.

The recruiting and retention problem is most acute for veterinary staff. In the past 2 years, MDA Animal Health has lost 5 veterinarians of a total of 11 authorized in the agency. One retired, 1 left the state and 3 accepted positions with other agencies local to that employee's MDA workplace. These local competitors offered salary compensation far in excess of what MDA could offer, for positions nearly identical to the MDA position. In no case, did the MDA employee need to change residence to accept a more financially rewarding position. Seven recruiting efforts have produced replacements for 2 of the five veterinarians. The most recent position vacancy is the Director of the Salisbury Poultry Laboratory, a nationally recognized scientist and the MDA subject matter expert on AI.

**MARYLAND DEPARTMENT OF AGRICULTURE
FY 2007 PAYGO BUDGET PRESENTATION
SENATE BUDGET AND TAXATION COMMITTEE
SUBCOMMITTEE ON CAPITAL BUDGET
FEBRUARY 14, 2006**

Maryland Agricultural Land Preservation Foundation (MALPF)

The goal of the Maryland Agricultural Land Preservation Foundation is to preserve enough productive agricultural land in order to provide for the continued production of food and fiber, curb the extent of random urban development and protect agricultural land and woodland as open space. The General Assembly set a new land preservation goal in 2002 with the passage of SJR10 and HJR22 which recommended the statewide goal be to “triple the existing number of acres of productive agricultural land preserved by MALPF, GreenPrint, Rural Legacy and local government programs by the year 2020. This will require the preservation of nearly one million acres over these next twenty years. Maryland has also set other land preservation goals; Rural Legacy - 200,000 acres, Green Infrastructure - 1,500,000 acres, and the Bay Agreement for preserving 20% of the Maryland Watershed by 2020 - 1,240,000 acres. Today, Maryland has permanently preserved over 430,000 acres with MALPF, MET, Rural Legacy, GreenPrint and local government easements and TDR’s.

MALPF now has 410,865 acres under agricultural districts with over half (241,475) of those acres under easement. Later this spring we will be making offers based on the expected \$42,000,000 in FY06 funding, including \$13M from county government. This will allow us to permanently preserve an additional 15,000 acres in Maryland.

FY07 MALPF Easement Funding \$84,554,000 SF/FF

The total PAYGO budget request before you is for \$84,554,000 which would permanently preserve about 24,000 acres of prime farmland in Maryland and by June of 2007 we would have over 280,000 acres under easement. We are expecting the average price we offer in FY07 to be \$3,500 per acre. This compares with \$1,958 in 2002, \$2,199 in 2003 and \$2,589 in 2005. We expect our \$2006 average to be \$3,000 per acre.

The very strong Maryland real estate market last year resulted in over 30 % of our landowners rejecting offers from MALPF, even at their own asking prices. This was the result of rapidly increasing land values over a very short time period. We have been scheduling meetings around the state to help educate our farmers as to our funding status, the rapidly changing market, and the recent appraisal data we have for their county.

Proposed Budget language for FY07 requiring a specific allocation of \$2,415,000 from MALPF appropriation to the Tri-County Council for agricultural land preservation projects.

DLS has recommended MALPF divert \$2,415,000 from our traditional funding formulas and provide a “directed allocation” or grant to the Tri-County Council to replace funds for land preservation being reduced from their request for bonds in 2007 as part of their Tobacco Conversion program.

As you are aware, state funds for MALPF are distributed under the provisions of the Agriculture Article

which divide half the funds equally among all jurisdictions in Maryland and then also divides the other half of the funds among all of the jurisdictions which have offered local matching funds. The counties represented in the Tri-County Council already each receive funds from this distribution. The impact of this proposal is that the other 18 counties actually give up some of their allocation of funds for these additional funds to the five Southern Maryland Counties. We are sure that each of these jurisdictions could make a case for additional funds for their counties, especially those who have offered significant local matching funds, have significant development pressure, etc.

Additionally, as MALPF and others have had significant diversions of these dedicated revenues to the general fund in the past several years and with escalating land values, funding is critical if we are to meet your preservation goals. The Tri-County Council plan, with all of its component parts, was approved by the General Assembly. We ask that you fully fund their proposal and MDA also respectfully requests that you reject the proposed language requiring this specific allocation of funds for the Tri-County Council. While there is a significant increase in funds over previous appropriations, many jurisdictions have increased demand for these funds. We believe the existing distribution formula should be maintained for allocating funds to all counties on an equitable basis.

Installment Purchase Agreements

Legislation passed in 2004 enabled MALPF to develop a statewide installment purchase agreement (IPA) option for easement purchase directly from landowners and a grants program for counties that have IPA programs already in place. IPA's could offer a significant tax advantage for some landowners who sell an easement and could help MALPF and local governments leverage our funding for easements by offering more easements in 2008 and 2009. MDA and MALPF, working with the State Treasurer, have recently accepted bids for consulting services and we expect an award very shortly. We then hope to have required legislative proposals for you next session for implementation in FY08.

Additionally, MALPF already has authority to offer "grant" funds to those counties which have local IPA programs. We are working on regulations and instructions on how these grants would operate. Basically, the funds would come from each counties "share" of dedicated MALPF allocation.

Critical Farms

The 2004 legislation also asked MALPF to create a Critical Farms program and we will be submitting our final report to the Administration and the General Assembly very shortly. We believe creating the ability for MALPF to move quickly in certain situations to save "critical farms" from going to market is another significant tool to help preserve our agricultural land base. The details of defining a critical farm will center on farm location, development potential, and soil productivity. We have to be careful to differentiate which farms are "critical" as they are all important and eligible for easements.

Audit Findings for the Year Ending June 30, 2004

The audit findings and our status to resolve those issues are shown below. The area we are having difficulty with is farm inspections. As the number of easements grows and demands on our small staff expand, getting out in the field for a significant amount of time is challenging. We were able to rehire a former employee on a part time basis last year which allowed us to do much better. However, we were not able to extend that contract. We had hoped to use some of our federal funds to hire someone, but now the federal government has not determined officially we can use their funds for that inspection

purpose, even though they require us to annually inspect any property we used federal funds for an easement. We also try to use the local program administrators, however, it is still a state responsibility for our state easements. Now, many local administrators share their time with local planning office requirements and their own local agricultural land preservation programs.

Finding 1 – Inspections

Easement inspections were not performed in accordance with the Board of Trustees Policy

Recommendation: We again recommend that MALPF insure that easement inspections are performed in accordance with the Board of Trustees policy and that follow-up efforts be performed when these inspections are not completed in a timely manner.

Agency response:

The Department concurred. MALPF hired contractual staff in July, 2004 as part of a plan to address easement inspections. For 2004 we made 129 inspections. As we had 1,685 easements, this represents 75% of our required 169 inspections (policy is to inspect 10% each year). Additionally, we have 112 easements that have utilized federal funds and 82 inspections have been performed on these properties (73%). Our details for 2005 are improving. As of now we only have 2005 reports from seven counties. However, these seven counties have already made over 100 inspections, or 6% of our totals.

MALPF will also perform follow up actions at quarterly intervals to track the overall status of our inspections as well as determine the specific federal requirements for specific inspections. MALPF also hopes to have a determination as to the availability of federal funds for inspections very soon as well as a final determination as to what those inspections should cover..

Finding 2 – Non-Budgeted Fund Installment Account

MALPF did not reconcile its outstanding easement installment accounts to the related investments made by the State Treasurer. In addition, MALPF improperly transferred \$465,000 from its special fund accounts to eliminate a deficit in its non-budgeted fund installment account.

Recommendation: We recommend that MALPF periodically reconcile its outstanding easement accounts to the related amount invested by the State Treasurer. We also recommend that MALPF promptly investigate and resolve any related differences identified. In addition, we recommend that MALPF investigate and resolve the deficit balances in the non-budgeted fund installment account at both June 30, 2004 and December 31, 2004.

Agency response:

The Department concurred. MALPF and the State Treasurer prepare information for installment payments due to accounts each October and April. MDA now uses these two payment cycles to also have staff reconcile the balances of the installment accounts at the end of each of these cycles. MALPF attempted to reconcile existing deficit balances for both June 30, 2004 and December 31, 2004. It was clear to MDA that an internal accounting adjustment had not been made years earlier which caused the two accounts to be out of balance. MDA transfers funds from MALPF to the State Treasurer to invest on behalf of those clients who desire to have installment payments. Therefore, the State Treasurer has to have funds equal to the amount of the investment requirements. MALPF had no option but to transfer the needed funds to the State Treasurer.

Finding 3 – Federal Funds

Requests for federal fund reimbursement were not always submitted in a timely manner.

Recommendation: We recommend that MALPF request reimbursement of federal funds for applicable land easements acquisitions in a timely manner. We also recommend that MALPF, in conjunction with the Department of General Services, ensure the timely receipt of recorded deeds of easement for all related acquisitions.

Agency Response

The Department concurred. MALPF is not permitted to invoice for federal funds until the deed of easement is “recorded” in the local land records. MALPF revised its policy and now invoices for eligible federal funds monthly instead of quarterly (there are relatively few transactions but they comprise a significant amounts of dollars). MALPF has also developed an administrative tracking method to monitor the timely recordation of easements by DGS title service contractors.

Today, MALPF has billed USDA for all eligible funds and we are monitoring all easements that have not been recorded.

TOBACCO CONVERSION PROGRAM

**Tobacco Conversion \$6,065,000 PAYGO, \$1,500,000 Operating Budget
(\$4,000,000 in GO Bonds for FY07)**

DLS Recommendation: Concur in the Governor's Allowance for PAYGO, Reduce GO Bonds by \$2,415,000

For FY07, the total budget is for \$11,600,000 and there are funding requests in the Operating (\$1,500,000) and PAYGO (\$6,065,000) budgets. The General Assembly has also previously approved \$5,000,000 in bonds for FY07 and the TCC is requesting to only use \$4,000 of that allocation in FY07 due to the repayment proposal being developed as required by law. Previously, the program was funded by an allocation of available annual revenues from Maryland's share of the National Tobacco Master Settlement Agreement (Cigarette Restitution Funds - CRF). The program was also allocated an authorization for \$5 million in bonds by the General Assembly to reflect the reality that the extraordinary high rate of sign-up for the "Tobacco Buyout" would exhaust the anticipated revenues from the CRF and the need to also fund the other components of the Tri-County Council (TCC) Action Strategy for Southern Maryland.

The Tri-County Council submitted their revised "Strategic Plan and Action Strategies" to the General Assembly in the Fall of 2005. I believe they have done an outstanding job in marketing this program in Southern Maryland. Today, we have 7,650,000 pounds of tobacco enrolled in the buyout program. By any account, the "Buyout" has been an unbelievable accomplishment.

We are concerned about the proposed reduction in bond funds for the program with the corresponding proposal for requiring a like amount to be dedicated directly to the TCC from MALPF funds. We believe there is a need for all of the proposed funding for land preservation, both in the MALPF budget and also the TCC proposal.

We would respectfully request that you reject the DLS recommendation to reduce the bonds in this program for land preservation by \$2,415,0000

I'll now ask Dr. Bergmark to bring you up to date on the TCC program activities.

**MARYLAND DEPARTMENT OF AGRICULTURE
FY 2007 PAYGO BUDGET PRESENTATION
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON TRANSPORTATION AND THE ENVIRONMENT
FEBRUARY 23, 2006**

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**Statement of Dr. Christine L. Bergmark, Executive Director,
Southern Maryland Agricultural Development Commission
Tri-County Council for Southern Maryland**

**before the
Maryland General Assembly Senate Budget and Taxation Committee
Capital Budget Subcommittee**

March 10, 2006



Response to the Department of Legislative Services Report on the Tobacco Crop Conversion Program 2006

Please find below the responses to recommendations and requests by the Department of Legislative Services report received 2/9/06:

DLS Recommendation: “Discuss the proposed changes to the Tobacco Transition Program’s GO bond authorization. Committee narrative is recommended requiring MDA and DBM to submit a report detailing proposed repayment schedule for debt authorized for the Tobacco Transition Program.

Concur with recommendation. The Buyout will still be in full force in 2010, as the last payments for the first applicants in 2001 will still be required. These proposed changes are essentially a no-cost extension, and will extend the length of time that the bonds are available without adding additional monies to guarantee that the ten-year Buyout contracts will be fully honored. Our budget proposal for FY’07 decreases our bond request from \$5 million to \$4 million.

DLS Request: “Be prepared to discuss the survey results and how they impact its infrastructure and agricultural development programs in the future.

The survey results are encouraging. We are beginning to see the transition into new and profitable agricultural enterprises, such as nurseries and green products, value-added production, grapes for wine and agri-tourism, increase in number. These results combined with the statistics that show a majority of farms are maintaining their operations in Southern Maryland are promising and reinforce our strategic programs in marketing, agribusiness and education. We have just concluded a two-day workshop covering these topics, as well as protecting farm assets and estate planning, and are co-hosting a workshop on biofuels this spring.

DLS RECOMMENDATIONS:

- 1. Reduce general obligation bond funding for the Tobacco Transition Program by \$2,415,000. This will provide the \$1.6 million needed for buyout payments. FY’07 Maryland Agricultural Land Preservation Program Funds may be used for the Tri-County Council’s agricultural land preservation efforts.**

(Concurrent with recommendation to special fund appropriation for MALPF “provided that \$2,415,000 of these funds may only be used by the Tri-County Council for Southern Maryland agricultural land preservation projects”

Background: The Governor of the State of Maryland allocated funds beginning in FY 2001 to support the design and implementation of the *Southern Maryland Regional Strategy - Action Plan for Agriculture (aka: Tobacco Crop Conversion Program)*. The purpose of these funds was to stabilize the Southern Maryland agricultural economy as many of the region’s farmers convert from a production base of tobacco to alternative crops and other agricultural enterprises. The plan consisted of three parts, the Tobacco Buyout, an Infrastructure Program, and Agricultural Land Preservation.

Due to the tremendous success of the Buyout Program, the Legislature passed a Bill in 2001 to permit the sale of \$5 million per year in State Bonds (effective FY’04) to assure farmers that funds would be available to honor the Buyout contractual obligations and to buffer any fluctuations in the annual appropriations from the Cigarette Restitution Fund (CFR). The Department of Agriculture allocates these bond funds to the Tri-County Council’s Buyout and the agricultural land preservations programs. As stated above, we have reduced our annual our request for bond funds for the next three years such that bond funds will be available to insure Buyout payments in 2010.

Response: Southern Maryland is one of the fastest developing areas in the region. Over 360,000 acres were lost to development in just two decades. By leveraging local county and state agricultural land preservation programs in the five southern Maryland counties, the Tobacco Buyout funds have contributed to the preservation of 91 farms and 15,000 acres in the last five years.

Land prices have dramatically increased in the last 10 years in Southern Maryland. Farm land that sold in 1996 for \$2,200 an acre, if developed now for residential lots, can now command as much as \$64,000 an acre. All this at a time when farm incomes are declining rapidly across the nation. Many farmers earn less than minimum wage.

In this context, the need to save farmland now – for the sake of our aquifers, open space and quality of life – is paramount. Most farmers are not seeking the full development dollar for their extensive acreage. They love farming and are trying to diversify into areas that could be as profitable now as farming as a whole used to be. They want to keep their farms but need some financial incentive to do so. Land preservation funds allow just this.

We advise keeping the source of funding for these two efforts to support land preservation separate. Why?

1. Because the State of Maryland made a promise to Southern Maryland when offering the Tobacco Buyout. We promised to help the farm community preserve its farmland and transition away from a crop that had been profitable for 300 years into other agricultural enterprises. The success of this three-pronged approach is the only thing between us and threatened sprawl in this key region of the Chesapeake watershed.

2. Just as important, State and local Governments have to maintain our credibility with farmers. For the last several years, the State of Maryland Agricultural Land Preservation funds (MALPF) have been reduced. Farmers are being encouraged to preserve their land, but when they try, the money hasn't been there. We thank you for making more funds available for MALPF in FY'07, but realistically these dollars will not buy as much farm acreage as they would have three years ago.

We will lose the fight to preserve farmlands and open space if we consistently allocate insufficient funds. Every dollar is vital to every county.

MALPF funds cover the entire state. If we take our money from the MALPF funds, we dilute their efforts in the rest of the state and weaken our own ability to target key farmland purchases in our rapidly developing region. Furthermore, by taking away MALPF funds, we will reduce statewide confidence in the MALPF program.

The fight to save farmland is widely supported by the public. We strongly recommend that both the focused local funds and the more broadly-applied MALPF funds be kept as two separate thrusts, as two separate hands. The fight for controlled development is a difficult one. To win this fight, and to have both the farm community and the public realize our sincere efforts, we need as many tools as possible. I urge you to keep both the local program and the MALPF funds intact and functional.

**MARYLAND DEPARTMENT OF AGRICULTURE
FY 2007 CAPITAL BUDGET PRESENTATION
SENATE BUDGET AND TAXATION COMMITTEE
SUBCOMMITTEE ON CAPITAL BUDGET
MARCH 10, 2006**

MARYLAND AGRICULTURAL COST SHARE PROGRAM

\$4,578,000 in GO Bonds for FY07

DLS Recommendation: Concur in the Governor's Allowance for \$4,578,000

The analyst has recommended to support our request for the MACS program which is our flagship program to support the implementation of agricultural conservation practices to improve water quality. Since 1984, MDA has offered these incentives to promote farmers' adoption of different best management practices to achieve water quality goals for the Chesapeake Bay.

The analyst asked for us to comment on HB91 which requests an increase in our cost share rates for some of these BMP's. This bill has recently passed the House of Delegates unanimously. These new rates will help MDA keep pace with the rising costs for the larger projects like waste storage systems and allow other farmers to continue to add additional BMP's to their farms. We have projected about 900 projects would be submitted to the BPW, the same number we had in 2004 and project for 2006, but our overall costs would increase by about 15%.

MDA also uses several flat rates for various projects to keep costs in check and we are able to leverage our funds with about \$2.7 million in funds offered by USDA in Maryland for animal waste systems.

We would respectfully ask for your concurrence with the Governor's allowance of \$4.6 million for the MACS program.

TOBACCO CONVERSION PROGRAM

Tobacco Conversion \$4,000,000 in GO Bonds

(\$6,065,000 PAYGO, \$1,500,000 Operating Budget)

DLS Recommendation: Reduce GO Bonds by \$2,415,000

(replaced with "grant" from MALPF SF for Tri-County Council)

We have already presented information to this committee on the Tobacco Conversion Program issues raised in the analysis during our PAYGO hearing. Again, MDA would request that no reductions be made for land preservation in Maryland. With our rising development pressure and rising land prices, every dollar is critical in our efforts to keep our most valuable farmlands from development.

We would respectfully request you reject the analyst recommendation to reduce the bonds authorized for the Tobacco Conversion Program by \$2,415,000.

**MARYLAND DEPARTMENT OF AGRICULTURE
FY 2007 CAPITAL BUDGET PRESENTATION
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON CAPITAL BUDGET
MARCH 20, 2006**

MARYLAND AGRICULTURAL COST SHARE PROGRAM

\$4,578,000 in GO Bonds for FY07

DLS Recommendation: Concur in the Governor's Allowance for \$4,578,000

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We would respectfully request you reject the analyst recommendation to reduce the bonds authorized for the Tobacco Conversion Program by \$2,415,000. These funds are critical to additional land preservation activities for Southern Maryland.

**Statement of Dr. Christine L. Bergmark, Executive Director,
Southern Maryland Agricultural Development Commission
Tri-County Council for Southern Maryland**

**before the
Maryland General Assembly House Appropriations Committee
Capital Budget**

March 20, 2006



Response to the Department of Legislative Services Report on the Tobacco Crop Conversion Program 2006

Please find below the responses to recommendations and requests by the Department of Legislative Services report received 2/9/06:

DLS Recommendation: “Discuss the proposed changes to the Tobacco Transition Program’s GO bond authorization. Committee narrative is recommended requiring MDA and DBM to submit a report detailing proposed repayment schedule for debt authorized for the Tobacco Transition Program.

Concur with recommendation. The Buyout will still be in full force in 2010, as the last payments for the first applicants in 2001 will still be required. These proposed changes are essentially a no-cost extension, and will extend the length of time that the bonds are available without adding additional monies to guarantee that the ten-year Buyout contracts will be fully honored. Our budget proposal for FY’07 decreases our bond request from \$5 million to \$4 million.

DLS Request: “Be prepared to discuss the survey results and how they impact its infrastructure and agricultural development programs in the future.

The survey results are encouraging. We are beginning to see the transition into new and profitable agricultural enterprises, such as nurseries and green products, value-added production, grapes for wine and agri-tourism, increase in number. These results combined with the statistics that show a majority of farms are maintaining their operations in Southern Maryland are promising and reinforce our strategic programs in marketing, agribusiness and education. We have just concluded a two-day workshop covering these topics, as well as protecting farm assets and estate planning, and are co-hosting a workshop on biofuels this spring.

DLS RECOMMENDATIONS:

- 1. Reduce general obligation bond funding for the Tobacco Transition Program by \$2,415,000. This will provide the \$1.6 million needed for buyout payments. FY’07 Maryland Agricultural Land Preservation Program Funds may be used for the Tri-County Council’s agricultural land preservation efforts.**

(Concurrent with recommendation to special fund appropriation for MALPF “provided that \$2,415,000 of these funds may only be used by the Tri-County Council for Southern Maryland agricultural land preservation projects”

Background: The Governor of the State of Maryland allocated funds beginning in FY 2001 to support the design and implementation of the *Southern Maryland Regional Strategy - Action Plan for Agriculture (aka: Tobacco Crop Conversion Program)*. The purpose of these funds was to stabilize the Southern Maryland agricultural economy as many of the region’s farmers convert from a production base of tobacco to alternative crops and other agricultural enterprises. The plan consisted of three parts, the Tobacco Buyout, an Infrastructure Program, and Agricultural Land Preservation.

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We respectfully request you reject the DLS recommendation to reduce the bonds for the Tobacco Conversion Program by \$2,415,000. As the Appropriations Committee has voted to not mandate a redirection of MALPF funds to the Tri-County Council, this reduction would needed funding to reduce land conversion in Southern Maryland.